Employee Benefit Resources, LLP
expanding the concept of employee benefits

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July 31, 2007

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AUG 13 2007
Montana University System

Paul Bogumill
Director of Benefits
Montana University System
46 N. Last Chance Gulch
Helena, MT 59601

Dear Paul:

We appreciate the opportunity to provide employee benefit services to the Plan Sponsor of Choices the Montana University System's Flexible Benefit Program. We are interested in providing excellent service to you and your employees. Understanding your interest in high quality service, please contact Employee Benefit Resources, LLP (EBR) at 1-800-765-9429 or 449-5500 in Helena, if you wish to talk with us about the administration of your Flexible Benefit Plan.

Our understanding of our agreement with the Plan Sponsor for the Flexible Benefit Plan's operation and the fee arrangement are described below:

Orientation, Education and Forms: Plan Sponsor will provide employee educational sessions with assistance from Employee Benefit Resources upon request. We will continue to work with each campus's designated liaison person to see that the appropriate education materials are distributed to all employees. It is our understanding that we will provide a master copy of the employee education materials and that Plan Sponsor will duplicate copies for eligible employees. Plan sponsor will provide all eligible and newly eligible employees an explanation of the Plan and a packet of materials including the Summary Plan Description, enrollment forms, and claim forms. These forms will be maintained by Plan Sponsor and distributed as necessary. Employees may also access claim forms from your website or our website at www.ebrworld.com.

Annual Elections: Prior to the beginning of the plan year, Plan Sponsor will ask all employees to make an election for the upcoming plan year and return the Election form to each campus' payroll office. Each employee must sign an election form indicating they will participate in spending accounts (medical and dependent care). Employees participating in the organization's health insurance benefit are automatically enrolled for pre-tax withholding of premium expenses. Forms must be in your office prior to the start of the plan year. We must have all forms in our office by June 30th. Forms received after this date may delay reimbursements to participants.

Plan Sponsor will provide us timely notice of eligible employees hired and participants who leave employment. Plan Sponsor will require employees to assist in gathering information to implement and operate the plan.

Salary Redirection: Each pay day, each payroll unit of the Plan Sponsor will immediately deposit into a specific treasury account established for Plan use, the total amount of spending account funds elected by employees paid that pay period along with the participant's monthly account fee. As claim volume necessitates, EBR requests funds to maintain positive account balances in its checking account used to pay University System participant claims. By the specific date agreed upon for each unit following each pay day, the unit will provide EBR with a listing of employees, amounts redirected to flexible benefit plan accounts and the type of plan participation for each amount.

Each unit of the System, the Commissioner's office, the State , Dawson Community College, Flathead Valley Community College, and Miles Community College will be treated as a separate employer for processing and reporting as long as each has a separate payroll.

Claim Reimbursement: Participants will mail or fax claims and corresponding documentation to EBR. Participants may also elect to participate in the automatic claims rollover program offered as a cooperative effort by BlueCross BlueShield of Montana (BCBSMT), Allegiance Benefit Plan Management, Inc., (ABPMI) the administrator of the Group Plan and EBR, in which case BCBSMT and ABPMI will forward claims with an out of pocket expense to EBR automatically on behalf of individuals who have elected the claims rollover program. Such claims will be forwarded through an electronic data exchange. All adequately documented claims received will be processed within three business days from our receipt. We will prepare the checks and mail them to the employee's address of record. Should a participant sign-up for our direct deposit claim reimbursement feature, we will electronically transfer the reimbursement amount to the bank account of their choice.

Claim Documentation: EBR will review claims to ascertain documentation is attached and the claim form is signed. EBR will review types of services for which claims are submitted for reasonableness. EBR will not certify that costs submitted are allowable or that the costs have not been submitted previously. Should an employee be paid for unallowable items, the responsibility for any taxes due belongs to the employee. In no way, does EBR represent to you or to employees that we guarantee the allowability of costs reimbursed.

Medical Payments: An employee must be paid for medical claims submitted for costs incurred during the Plan year, up to the total salary redirection elected for the year, even though the employee's medical spending account may not have a balance sufficient to pay the claims. It is EBR's understanding that EBR is to pay those claims with money in the account and report the status of such accounts to Plan Sponsor on a periodic basis. Claims for costs incurred during the Plan year may be submitted for 90 days after the end of the Plan year. After that time, we will report the year's activity to the Plan Sponsor. Plan Sponsor will offset any medical account costs incurred in excess of employee contributions against the amounts forfeited by participants.

Reports: After each month's processing has been completed, we will provide the Plan Sponsor's applicable payroll or human resource office a cash trial balance and reports indicating employee account balances. We will reconcile account activity to the cash activity for withholdings and disbursements. Participants have the ability to view their activity online daily at our website: www.ebrworld.com. Annually each participant will be sent a letter explaining the dollar amount of tax benefits realized through the use of the plan.

Annual Administration Fees: EBR's understanding of the operation and fee arrangement for the 2007 - 2008 plan year, and subsequent plan years, is unchanged unless amended and agreed to by both parties. Included in our fees are services related to monthly administration of the cafeteria plan, payroll reconciliation to election amounts, debit card consulting, compliance consulting related to cafeteria plan matters, attendance at human resource and payroll staff meetings, check stock fees, stop payment fees, year end reports and analysis and enrollment materials for employee education and newsletter articles as requested. The Plan Sponsor will pay an annual fee of $18,000, in $1,500 monthly increments to cover the difference between the actual cost of administering the plan and the fees charged participants. Processing fees of $2.76 per participant ($33.12 per year) will be charged on a monthly basis. Any charges for services outside the scope of this agreement will be discussed with you and agreed upon in advance of the services being provided. Interest is charged on accounts not paid within 30 days.

Other Plan Administration Fees: Employees with spending accounts are able to submit claims for the entire Plan year, even if they have terminated employment. For that reason, the participant fee is due for the entire year, once a participant establishes a spending account.

EBR recognizes that the success of the benefit package is dependent on employees understanding the benefits. EBR agrees to work cooperatively towards that goal.

This letter memorializes the understanding of Plan Sponsor and EBR with respect to the administrative services that EBR will perform as an agent of Plan Sponsor. This letter of understanding supercedes and replaces any and all prior letters of understanding executed by EBR for administrative services relating to Choices the Montana University System's Flexible Benefit Program. All prior letters of understanding for such services are hereby declared null and void. By signing below, Plan Sponsor and EBR evidence their intent to be bound by the terms of this letter of understanding.

Dated this 9th day of August, 2007.

Ellen Feaver

Ellen Feaver, CPA
EMPLOYEE BENEFIT RESOURCES, LLP
Partner

Dated this 15 day of August, 2007.

Plan Sponsor,
CHOICES THE MONTANA UNIVERSITY SYSTEMS
FLEXIBLE BENEFIT PROGRAM